



# 50/50 by 2020: poverty and redistributive politics in post-independence Fiji

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The affirmative action program launched by the Fiji Government in 2002 espoused a '50/50 by 2020' vision; that is, by the year 2020, some 50 per cent of all economic activities would be owned by the indigenous population. The surprising impact of this heavy-handed redistribution of income and wealth from the non-indigenous to the indigenous population has been poverty-raising. One in eight in the population lived in poverty in 1977, the figure had risen to one in four by 1990/91 and one in three by 2002/2003; and on current trends, would reach one in two (that is 50 per cent) by 2020. Such an outcome would be a direct consequence of these redistributive policies. While the politics of redistribution may have been compelling, its economic costs, including the impact on poverty, are devastating. The 2006 military takeover was executed to rid the country of corruption and race-based politics. Achieving these goals may have a bonus in terms of reversing the rise in poverty. Only time will tell.

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Poverty in Fiji has been increasing over time.<sup>1</sup> Both the incidence (that is the proportion of people living in poverty) and the severity of poverty (that is, the difference between the poverty line and the mean income of the poor) increased between the three Household Income and Expenditure Surveys (HIES); those of 1977, 1990/91, and 2002/03. The rise in poverty, however, was accompanied by an improvement in the Human Development Index (HDI) for the nation as a whole. Average life expectancy

at birth rose from 60.6 years in 1970 to 67.8 years by 2004, per capita GDP has grown at an annual average rate of one per cent since 1975, reaching a purchasing power parity (PPP) figure of F\$6,066 by 2004, and the adult literacy rate as of 2003 was 93 per cent as compared to 88.6 per cent in 1990. The HDI, an aggregate of these variables, climbed steadily from 0.663 in 1975 to 0.758 by 2004 (UNDP 2006). The simultaneous rise in the HDI and the incidence of poverty suggests two things: first that the benefits of development have



been unevenly distributed; and, second that the poor have lost ground, possibly falling into deepened pockets of disadvantage. The rise in poverty accompanying modest growth in the economy is evidence of failure of the many pro-poor policy pronouncements of the past.<sup>2</sup>

The rise in poverty is likely to continue given a slowing economy, and the eviction of many rural farmers from land with expired leases. Government-sponsored redistribution has been based on ethnicity under the (false) premise that only the indigenous population is poor. Furthermore, the affirmative action policies have lent themselves to abuse such that the redistribution has driven a wedge between the rich and the poor in both of the major ethnic groups. Indigenous Fijians who have been able to access public handouts were anything but poor. These transfers have been at the expense of the poorest Indo-Fijians who lack the capacity to fund goods and services that are provided from the public purse to the indigenous population. The politics of redistribution suits the élite—the indigenous Fijian élite in particular—as it legitimises the transfers to them but is couched as helping the ‘poor Fijians’. The Indo-Fijian élite, many with long-established links to the government, and/or the means to circumvent (and even benefit from) the discriminatory policies have little to lose from affirmative action programs.

The middle class, constituting mostly professional and trade personnel, comprise the majority of the taxpayers and thus have funded most of the public handouts. The mobile amongst this group, not surprisingly, have chosen to seek opportunities abroad. This exodus, while initially comprising Indo-Fijians, has now spilled across to indigenous Fijians with some of the loss of human capital being compensated for via rising receipts of remittance income. As of 2006, remittance receipts had reached some F\$400 million. A middle-class bulge

is healthy for an economy as it is the largest source of tax revenues, comprises the most productive of the workforce, and is often a source of demand for improved governance. The loss of this group, therefore, is to the cost of each of the above-mentioned. While some level of emigration has been taking place since the 1960s, the levels of emigration nearly doubled following the first coup of 1987 and with spikes in the numbers leaving after each of the next two coups (Chandra and Chetty 1996; Asia Pacific Migration Research Network n.d.). The coups no doubt have been responsible for hollowing out the middle of the economy and thus contributing to the rising trend in poverty of the past two decades.

### Poverty viewed via the ethnic lens

Contrary to the claims of the recently ousted government in justifying affirmative action programs for the indigenous population, poverty pervades all communities in Fiji. Importantly, there is no discernable statistical difference in the levels of poverty between Indo-Fijians and indigenous Fijians. Redistributions based on the ethnicity of the recipient, therefore, are likely to be ineffective and, as argued in the next section, even counterproductive.

Before presenting evidence on poverty levels, let me define (absolute) poverty. A household or individual is considered to be in absolute poverty when they lack the income to afford the minimal bundle of food and shelter, that is, the basic necessities of life, for healthy living. Food poverty refers to the situation where the individual lacks the means to acquire the minimal dietary requirements for healthy living. Food poverty in the form of abject destitution that is visible in parts of Asia and Africa is not yet evident in Fiji, but there are many within the community who live hand-to-mouth and thus are highly vulnerable to falling



into food-poverty. Furthermore, social welfare payments from the government have provided only a limited safety net to the most disadvantaged in society.

Statistics on the level of poverty have been compiled from analysis of household level data, collected via the comprehensive HIES of 1977, 1990/91, and 2002/03. The compilation of poverty statistics involves computing the poverty line, counting the number of people below this line to reach the headcount measure, and working out the gap between the average income of those in poverty and the poverty line as the measure of the severity of poverty. The poverty line establishes the minimum income a household needs to provide for its basic needs; it thus takes into account the composition of the consumption basket as well as the price and quantities of each of the items within this basket. It is only a threshold in terms of the minimum purchasing power necessary to fund the minimal requirements for healthy living; however, it makes no assumption regarding how the income is expended. An income less than the poverty line is interpreted as the particular household being in poverty.

In contrast to the concept of absolute poverty defined above, relative poverty (that is, income inequality) refers to the situation where a part of the population has a much smaller share of national income than the rest of the population.<sup>3</sup> However, this says nothing about whether these people are in absolute poverty. As an example, a household with an income in the bottom 20 per cent of the income distribution may be considered relatively poor but this says nothing about their capacity, or otherwise, of acquiring the minimal necessities for healthy living. For the purposes of this article, unless otherwise stated, poverty will mean absolute poverty.

Based on the diets of the population in 1977 and the costs of basic necessities

then, some 11.6 per cent of the population was in poverty in 1977. Using the same methodology but now with an appropriately constructed poverty line, some 25.5 per cent of the population was in poverty with some 10 per cent of the households in food-poverty in 1990/91 when the next HIES was conducted (UNDP 1996:33). In the 14 years between the two surveys of 1977 and 1990/91, poverty rose by an annual average of one percentage point a year. As regards the ethnic composition of those in poverty, some 31 per cent of the Indian households had incomes below the poverty line while the corresponding figure for Fijian households was 27.6 per cent. Furthermore, the flat income distribution around the poverty line in 1990/91 implied that a large proportion of households were vulnerable to falling into poverty with a deterioration in economic conditions.

The absence of detailed analysis of poverty by ethnicity in 1977 precludes comparisons with the 1990/91 data in terms of any changes in the ethnic mix of the poor, but these comparisons can be made between the HIES of 1990/91 and 2002/03. However, one comparison, that of average daily wages between 1977 and 1990 is suggestive of the deteriorating economic conditions for those who drew their income from the sale of labour alone. The average real (that is, inflation adjusted) daily wage rate of 1990 was only 62 per cent of the corresponding figure for 1970 (UNDP 1994). While per capita GDP grew by an average of one per cent per annum in the two decades following independence, wages fell by approximately 2 per cent a year in this period.

The *Fiji Poverty Report*, produced by the UNDP together with the government (UNDP 1997) drew the attention of policymakers to the plight of the poor and the need to reverse the worsening trends in poverty. The government announced its determination to reduce poverty from the levels observed in



1990/91; it announced that sustained growth of the economy was the key instrument to be used to enable the disadvantaged to enter the workforce and lift themselves out of poverty (Fiji 1993, 1996b). Jobs growth was to be the central plank of the strategy. In addition, the public sector was to concentrate its efforts on providing basic services and the regulatory conditions for private enterprise. However, the record on each of these goals is less than enviable.

Poverty is pervasive across the two major ethnic groups. The *Fiji Poverty Report*, for example, notes that '[t]he data on poor households...revealed that poverty is not concentrated in one particular sector, being neither predominantly rural or urban, nor exclusive to one ethnic group, but pervades all communities and areas' (UNDP 1997:103). According to the report, the poorest in Fiji were those who earned income from doing menial (unskilled) jobs, had poor access to land or had little security to the land they occupied, and had no other sources of income.

This conclusion regarding the pervasiveness of poverty across the major two ethnic groups is reaffirmed by the more recent analysis of the 2002/03 HIES data. Abbott (2007) notes that '[a]mongst Fijian households the proportion having per capita incomes below the BNPL [basic needs poverty line] is estimated at 29.0 per cent (33.8 per cent of the Fijian population) and 30.7 per cent for Indian households (34.9 per cent of the Indian population)' (Abbott 2007:22).

The incidence of poverty across the two major ethnic groups is not too different between the HIES of 2002/03 and that of 1990/91. In terms of basic needs, some 33.8 per cent of the Fijian population was in poverty in 2002/03, an increase from 27.7 per cent for 1990/91, while the corresponding figure for Indo-Fijians was 34.9 per cent and 31.0 per cent in 2002/03 and 1990/91, respectively.

According to the HIES of 2002/03, some 38.1 per cent of the rural population and 31.8 per cent of the urban population was

**Table 1 Incidence of poverty, 1990/91 and 2002/03 (per cent of population)**

	Per cent of population having an adult equivalent per capita income less than the Basic Needs Poverty Line	
	1990/91	2002
National average	25.5	34.4
Indigenous Fijian	27.7	33.8
Indo-Fijian	31.0	34.9
Urban average	27.6	31.8
Indigenous Fijian	..	29.9
Indo-Fijian	..	33.9
Rural average	24.3	38.1
Indigenous Fijian	..	37.3
Indo-Fijian	..	39.2

**Source:** Abbott, D.F., 2007. Fiji analysis of the 2002/03 household income and expenditure surveys: estimation of basic needs poverty lines and incidence of poverty in Fiji, Draft Final Report, prepared for United Nations Development Programme, Suva (unpublished):23.



in poverty compared to the corresponding figures of 27.6 per cent for the urban population and 24.3 per cent for the rural population as of the 1990/91 HIES. While the 1990/91 HIES data does not disaggregate rural and urban poverty by ethnicity, the 2002/03 HIES data shows that some 33.9 per cent of urban Indo-Fijians and 29.9 per cent of urban indigenous Fijians were in poverty, while the corresponding figures for the rural population was 39.2 per cent for Indo-Fijians and 37.3 per cent for indigenous Fijians (UNDP 2006:3).

As of 2002/03, Indo-Fijian households comprised some 46 per cent of the total population but accounted for some 47 per cent of those in poverty. Indigenous Fijian households accounted for 50 per cent of the total household population and some 51 per cent of those in poverty. Thus, Indo-Fijian households were slightly over represented within the population of poor households. At least in statistical terms, it is not correct to suggest that the incidence of poverty was higher amongst indigenous Fijians compared to Indo-Fijians in either of the two recent HIES.

Income inequality amongst Indo-Fijians is greater than that amongst indigenous Fijians. According to income figures from the HIES of 1990/91, indigenous Fijian households had an average weekly income of F\$173.65, some 13 per cent lower than the national average of F\$199.31; Indo-Fijian households had an average income of F\$217.89 (some 9 per cent above the national average); and, 'Other' households had an average income of F\$271.08 (some 36 per cent above the national average). While Indo-Fijian households had a higher average income than their Fijian counterparts, they also had greater income inequality. The 1990/91 Gini coefficient for Indo-Fijians was 0.51 compared to that of indigenous Fijians of 0.39; reflected by the overrepresentation of Indo-Fijians on the extreme ends of the income distribution in the data. Indo-Fijian households had incomes below their indigenous Fijian counterparts at each of the deciles until the median when the comparisons flip around (Table 2). These conclusions hold for the 2002/03 HIES where rural Indo-Fijians had a per capita adult equivalent weekly income of

**Table 2 Average weekly household income and average per capita income, 1990/91 (F\$)**

Ten per cent group	Average household income		Average per capita income	
	Indo-Fijian	Fijian	Indo-Fijian	Fijian
1	32.40	38.10	7.10	8.10
2	60.80	67.60	13.60	13.60
3	81.60	89.80	17.80	17.50
4	101.10	107.00	22.10	21.50
5	124.20	126.70	27.30	28.60
6	152.50	147.60	32.60	30.40
7	186.70	175.10	40.90	36.20
8	240.60	217.60	52.50	44.40
9	327.90	288.00	74.80	60.20
10	914.40	537.10	227.60	131.00

**Source:** United Nations Development Programme, 1997. *Fiji Poverty Report*, United Nations Development Programme and Government of the Republic of Fiji Islands, Suva:25.



F\$46.18 compared to the corresponding figure for indigenous Fijians of F\$49.97 and that for the nation as whole of F\$48.57. Urban Indo-Fijians, in contrast, had a per capital adult equivalent weekly income of F\$70.91 compared to the corresponding figure for indigenous Fijians of F\$68.93 and a national average of F\$72.43.<sup>4</sup> The over representation of Indo-Fijian households on both extremes of the income distribution combined with the limited access to natural resources by them as a whole would have left the disadvantaged Indo-Fijians highly vulnerable to abject poverty. Access to land is critical for the poorest households. The HIES data shows that households below the food poverty line were found to be disproportionately concentrated in the squatter settlements and in urban villages.

In terms of changes in the incidence of poverty, the HIES data show that poverty in rural areas has risen significantly, increasing from an estimated 24.3 per cent of the rural population in 1990/91 to 38.1 per cent by 2002/03. However, the difference in the incidence of poverty in rural areas between the Fijian (37.3 per cent) and Indian (39.2 per cent) populations is only marginal.

There is considerable evidence of the presence of a poverty trap in Fiji, a problem that may have been accentuated by the redistributive policies of past governments. The long-term poor are characterised by a lack of secure means of livelihood, limited access to skills and education, and restricted access to land and other natural resources. Female-headed households were found to be at a particular disadvantage. Children from resource-poor schools and families have had the greatest tendencies to fail external examinations and thus drop out of the education system. UNDP (1997), for example, notes that at least 30 per cent of all the children who dropped out of primary schools did so because of financial pressure. A premature end to education with limited

access to alternate income earning assets can be a life sentence into poverty and with little hope of escape for subsequent generations.

The data shows that while poverty has increased over time, the incidence of poverty is not greater amongst indigenous Fijians compared to Indo-Fijians. The rural sector has a higher percentage of poor households but there is no discernable difference in the incidence of poverty between Indo-Fijians and indigenous Fijians. The government's policies for poverty reduction, as shown later, have claimed otherwise in justifying their affirmative action programs.

## Redistribution and growth of the economy

Nearly every government handout since independence has been undertaken through the lens of ethnicity. For example, access to government contracts, business licenses, scholarships for tertiary study and import licenses have all been allocated on the basis of ethnicity. While access to privileges afforded by the taxpayers on the basis of ethnicity dates back to the 1874 when Fiji was ceded to Britain, redistributive policies founded on ethnicity have taken on added significance since independence in 1970 and particularly following the first coup in 1987. The first Governor of Fiji, Sir Arthur Gordon, on taking office on 10 October 1874 made a decision to minimise the impact of colonisation on the indigenous population. Governor Gordon banned alienation of land, established indirect rule via the traditional chiefs, and, in the process, created a Fijian aristocracy with a vested interest in maintaining a system introduced at colonisation. In taking this stance, Governor Gordon was influenced by the traumatic experiences of the indigenous people under colonisation in Africa, Australasia, and the





Caribbean. However, he had to ensure that the economy grew in order to enable Fiji to fund its public provisions. His immediate challenge was in effectively governing a large and dispersed archipelagic colony (Ward 1995; Gillion 1962).

Immigrant labour was brought in to grow the economy whilst quarantining the indigenous workers to their traditional ways of life in the villages. The majority of the migrants brought in after colonisation were indentured labourers, some 61,000 from India, to work on then European-owned plantations. The ban on alienation of land brought a halt to expansion of plantation agriculture; but with Fiji's rich and abundant tropical land and an administration loathe to draw indigenous labour into the modern economy, this placed an even larger premium on a ready supply of resident labour. Indian migrants and their progeny filled this void; while they were encouraged by the administration to stay and work land leased from the indigenous population, their rights to natural resources remained circumscribed. The indenture system ended in 1920 but immigration of agriculturalists and traders, mostly from India, continued until independence.<sup>5</sup> Thus, the Indo-Fijians as seen through the HIES of 1990/91 and 2002/03 comprise a heterogeneous mix of descendents of indentured labourers, and free migrants who came as agriculturalists and traders, with the latter group having a monopoly on urban business. Furthermore, the effects of the quarantining of the indigenous population into villages and away from enterprise, whilst locking the Indo-Fijians into commerce and agriculture—mostly on land leased from the indigenous population—remains in the politics of race and income redistribution in contemporary Fiji. Ethnic competition in politics, however, took an added impetus following independence in 1970.

Since at independence the population was divided almost equally between the indigenous Fijians and Indo-Fijians, the contests in accessing government privileges, including political office, was invariably between the two major ethnic groups. The 'Others', meaning people of all other races, comprised less than 10 per cent of the total population and constituted the more affluent Chinese and Europeans, and the relatively poorer non-indigenous Pacific Islander communities. The divisions between the two major ethnic groups are most evident in the resource sectors and those entailing access to government handouts, including access to senior positions within the bureaucracy. These privileges entail what economists call 'rents'; that is, a pure surplus accruing to the owner due to the scarcity value of the product. An élite athlete, for example, commands a premium on scarce talent much like the holder of an exclusive import license. In the case of the athlete, however, the talent is innate while in the case of the latter, it is a license to 'print money' conferred on the holder via fiat. The distinction is important as the latter can be acquired, a fact that induces competition for its acquisition. Such rent-seeking activity is directly unproductive as the resources expended in such competition are to the cost of producing other goods and services in the economy (Bhagwati 1982). Fractures in the community along racial lines occur when competition for publicly granted and taxpayer-funded privileges intensify—a feature characteristic of post-independence Fiji. The effects of the 'rent seeking' have spilled over into coups and resulted in political turmoil and the exodus of human and financial capital. The cumulative effect of the above has been a drag on the rate of growth of the economy.

Privileges created via fiat distort incentives for expending effort into value-



adding activity. Access to government scholarships for secondary and tertiary study, for example, is provided on the basis of marks earned in nationally conducted external exams. But the bureaucratic hurdles facing a Fijian trying to gain entry into university and earn a scholarship are lower than for the other races. Knowing this preference, an indigenous Fijian student has a lesser incentive than their Indo-Fijian counterpart to excel at studies. The data supports this conjecture; indigenous Fijian students have, on average, under-performed and thus have been unable to fulfill their scholarship quotas. Those gaining entry to university have, on average, opted for the 'softer' disciplines knowing that the privileges extend to being offered jobs in the bureaucracy on graduation. The response of the policymakers to the observed under-performance has been to increase the margins of preferences. The net effect is a treadmill on a one way street to waste and underperformance.

In comparison, the Indian student, knowing full well the requirements to over-perform, has had the opposite incentives: to excel and take on the more difficult subjects so as to achieve a place at university and a job on graduation. The parents have faced similar incentives, with Indo-Fijian parents having fewer children but on average spending more on their education than their indigenous Fijian counterparts. The 2002/03 HIES shows that indigenous Fijians had an average 1.9 children per household while the corresponding figure for Indo-Fijians was 1.2; similarly, indigenous Fijians spent F\$145 per year on education per child while the corresponding figure for Indo-Fijians was F\$313 (data from Narsey 2006:10, 58). Thus, while the intentions of redistributive policies may have been to bridge the gap between the two major ethnic groups, the effects could have been quite the opposite. We next consider the most ambitious of the

redistributive policies and one that was specifically couched in terms of a poverty-reduction strategy.

While the redistributive policies owe their origins to the first colonial regime, the two coups provided considerable thrust. The Interim Government following the first coup in 1987 introduced its 'Nine Point Plan', which included injections of funds into Fijian Holdings Limited—a company created solely for the benefit of the indigenous population—subsidised access to finance for the indigenous population from state-owned banks, government-funded business training for indigenous Fijians, the establishment of compulsory savings schemes for the indigenous population, and the reservation of half of all government contracts and investments in resource-based activities for the indigenous population. Indigenisation of the public service was also aggressively pursued while similar expectations were made of the private sector.

In 2002, following the third coup, the Government launched an ambitious policy agenda called the Blueprint for the Advancement of Fijians and Rotumans, 'to improve the economic and social positions of the indigenous population in Fiji society' (Fiji 2002:i). The then Prime Minister, Mr Laisenia Qarase, in launching the *20-Year Development Plan (2001–2020) for the Enhancement of Participation of Indigenous Fijians and Rotumans in The Socio-Economic Development of Fiji* rationalised the discriminatory policies on the basis of an: 'expressed recognition of the paramountcy of Fijian interests and also the principle that the interests of the Fijian community are not to be subordinated to the interests of the other communities', as per Chapter 2 of the 1997 Fiji Constitution. He referred to Clause (k), Section 6 the Chapter which allows for 'affirmative action and social justice programs to secure effective equality of access to opportunities,





amenities or services for the Fijian and Rotuman people, as well as for other communities, for women as well as men, and for all disadvantaged citizens or groups, are based on an allocation of resources broadly acceptable to all communities’.

While the legitimacy (or otherwise) of the Blueprint is an issue for debate by the experts, I will concentrate on the economic impact of the introduced redistributive (distortionary) policies on the economy and on poverty in particular. Prime Minister Qarase used the UNDP’s report to justify the proposed affirmative action program, claiming that

[t]he 1997 United Nations Poverty Report revealed that households with the lowest level of income were those in rural areas and outer islands. Again, the majority of these were Fijians (Fiji 2002:i).

The report, however, stated categorically that ‘[p]overty is not concentrated in any particular sector of Fiji society but is an under-current across all communities’ (UNDP 1997:2). The HIES data for 1990/91 and 2002/03 provides evidence that the incidence of poverty amongst the indigenous Fijians was no greater than that for Indo-Fijians, and if anything the converse was probably true.

The Prime Minister had also argued that the proposed policies were to pre-empt a reoccurrence of future coups, recognising that past coups had done ‘irreparable damage’ to race relations and the economy. He thus appealed to the citizenry to accept the measures proposed in his government’s Blueprint. He was wrong on this count as well. With the benefit of hindsight, the Blueprint not only failed to prevent another coup but was probably critical to the ousting of the PM from office in the very next coup. The ‘clean up’ campaign that Commodore Bainimarama had begun as part of his coup was claimed to bring an end to race-based politics in Fiji.

The most damning impact of the Blueprint is on poverty. The redistributive policies were to be used in micromanaging the divvying-up of income at the sector and subgroup levels. To set some benchmarks, as of 2002, indigenous Fijians comprised some 55 per cent of the population, Indo-Fijians 41 per cent, and ‘Others’ the remaining 4 per cent (Table 3). As of 2002, indigenous Fijian household income was 77 per cent of the figure for Indo-Fijian households; the target for 2005 was to bring parity between the two groups and by 2015 was to achieve parity in each stratum (subgroup) of the income. Indigenous Fijians as of 2002 occupied 51.4 (43.8) per cent of all salaried (wage) positions, the target for 2005 onwards was to achieve parity in each class of employment. Indigenous Fijians accounted for some 61.5 per cent of government positions, a figure well above their proportion in total population, yet the targets set claim that ‘parity had been achieved’. Indigenous Fijians had been awarded 42 per cent of public and corporate tenders and 54.5 per cent of Public Works Department (PWD) tenders; the target for 2005 was for parity on value. Indigenous Fijians had 53.2 per cent of the market for rental of office space; the target was to achieve parity on value. Bus, taxi, and rental car licenses in Fiji are heavily regulated and thus provide significant ‘rents’ to the owner and therefore are an issue of significant competition. As of 2002 indigenous Fijians accounted for 33 per cent of the total Land Transport Authority (LTA) licenses; the target for 2005 was set at 40 per cent and for 2010 it was set at 50 per cent; and parity in each subgroup was to be achieved from 2010 onwards. These are a small sample of the targets set in the Blueprint, but they provide a sense of the extent of redistribution and the details of income and wealth redistribution that were being pursued via regulation.



It is hard to imagine how these targets could be achieved in a market economy without constraining competition, taxing production, inducing corruption, and incurring waste. Just as one example, the target for tenders provided by the Public Works Department have been achieved, but at what cost? Half of the tenders can be reserved for indigenous Fijians, but at the cost of not getting the most competitive supplier of the service. Most targets that have been attained are those where the government has had a direct role in its allocation, but such allocations would have been made at the cost of meritocracy. Indo-Fijians have lost out in being promoted to the senior echelons of the public service: a fact alleged to be due to the discriminatory policies and a reason for many to emigrate. It is also common knowledge amongst employers that the risks of losing an Indian employee to emigration are greater than for indigenous Fijians.<sup>6</sup> They thus have an incentive to hire, train, and promote an

indigenous Fijian ahead of an equally able Indo-Fijian aspirant. Such a process creates feedback loops that only encourage greater discrimination. Affirmative action programs thus have led to a feedback loop with increasing disparities in employment and dampened productivity. The cumulative effects are reduced levels of productivity and a lower rate of economic growth than what would have prevailed otherwise.

The impact of affirmative action programs on poverty can be significant and works via three distinct channels. First, it is the poor who are most dependent on public services such as the provision of basic education, primary healthcare, rural roads, and crime prevention. Funds used for affirmative action programs are lost to the provision of the afore-mentioned (given the budget constraint) with the poor being robbed of the services that they otherwise would have received. Second, discriminatory policies distort incentives such that effort is spent on 'rent-seeking'

Table 3 **Affirmative action targets**

	2002 level (per cent)	2005	Targets 2010 2015 2020
Household income <sup>a</sup>	77.0	1:1	Achieve parity in main subgroups
Employment			
Salaried	51.4		To achieve parity in each sub-group
Wage employment	43.8	50	To achieve parity in each sub-group
Government	61.5		Parity achieved
Public corporations	65.7		To achieve parity in each sub-group
Public and corporate tenders/contracts	42.0	50	Aim for parity on value
Rental of office space	53.2		Maintain share, aim for parity on value
Public Works Department tenders	54.5		Aim for parity on all tenders
Land Transport Authority licences	33.0	40	50 Aim for parity in subgroups

<sup>a</sup> Compared to Indo-Fijians.

**Source:** The data is for a small sample of the targets stipulated in Tables 1 and 2 in Fiji, 2002. *20-Year Development Plan (2001–2020) For the Enhancement of Participation of Indigenous Fijians and Rotumans in the Socio-Economic Development of Fiji*, Parliamentary Paper No. 73, Government Printer, Suva.



activity rather than on value-adding effort. Such distortions spill across the whole economy when the public sector is the lead sector, being the largest single employer, and thus sets the employment conditions and wages for the formal sector as a whole. There is considerable anecdotal evidence to suggest that corruption in Fiji has risen significantly since the first coup (see Keith-Reid 2000). Third, the redistributions sanctioned via affirmative action programs can drive a wedge between the incomes of the poor and the rich. It is only those with the means and the information that are able to access the privileges accorded via affirmative action programs. It is unlikely that a poor villager, for example, will apply for a taxi license, a government tender, or for subsidised credit. These privileges have been utilised by the élite with the means and the information to do so.

The case of a taxpayer funded bailout to the tune of F\$200 million of the National Bank of Fiji (NBF) for bad loans made between 1988 and 1992 following the first coup illustrates the impact of affirmative action programs on poverty. Justice Shameem, the Director of Public Prosecutions who was responsible for the investigations following the exposure of the abuses by the media, noted at a workshop on anti-corruption organised by the Fiji Chapter of Transparency International that

...what was supposed to be an affirmative action program to advance soft loans to the disadvantaged indigenous population was in fact a slush fund for the privileged, many of whom were not indigenous and some of whom were cronies of people in authority (*Fiji Times*, 23 March 2007).

Ratuvu (2002) estimates losses of around F\$400 million—equal to some 30 per cent of the 1987 GDP for the nation as a whole—from affirmative action programs. Thus, the affirmative action policies, provided under

the rationale of reducing income inequality, have done the very opposite as they have lent themselves to abuse. While the poor miss out on quality public services, the non-favoured élite are able to circumvent the constraints by purchasing these services while the favoured group captures the proceeds from public handouts.

In the meantime, the economy suffered on several fronts including a rise in 'rent-seeking' and thus unproductive activity, the loss of human and financial capital as those with the means and the incentives emigrated, the demand for improved governance suffered as the middle class shrank, while the poor bear the brunt of a slowing economy as they have no escape from their predicament. The economy, consequently, stagnated (Chand 2007, this issue). The politics of redistribution that benefited the élite, together with a porous border that has allowed the middle class, Indo-Fijians in particular, to emigrate has contributed to a rise in poverty. The military takeover of 2006 has been justified as a 'clean up' of corruption and the race-based politics. If successful, this may see a (slow) turnaround in the economy, the effects of which may trickle down to the poor over time. The coup<sup>7</sup> could equally displace one set of 'rent-seeking' élite with another without changing the underlying incentives for and impacts of redistributive politics on the poor: which of the above prevails only time will tell.

This article has argued against poverty-increasing government redistributions, particularly those that distort incentives for value-adding effort. It is not an argument against redistribution for poverty reduction but one against poverty-increasing transfers. The rising incidence of poverty cannot be left to go unchecked as its steady march to '50/50 by 2020' is well underway. Transfers to the poor directly rather than via the medium of ethnicity would be a better means of addressing this challenge. I suggested this



change a decade ago (Chand 1997), but the politics of such a change then was obviously not opportune. It may be now, but only if, in Gillion's terms, everyone in Fiji is equally accepted as citizens and Fiji does penance for the mistakes of the past (Gillion 1962:201).

## Conclusion

This article makes four principal claims regarding poverty and redistribution in post-independence Fiji. First, that poverty has been on a steady upwards trend since independence, rising at a rate of one percentage point per year. One in every four in the population were unable to afford the minimum requirements for living in 1990/91—this figure had risen to one in every three by the next HIES of 2002/03; and, extrapolating on past trends, one in every two will be in poverty by the year 2020. The last would bring new meaning to the Blueprint of the Qarase Government that had espoused a vision of half of the economic wealth of the country being in the hands of the indigenous population by the year 2020, thus their slogan of '50/50 by 2020'.

Second, affirmative action programs, of which the blueprint was their last manifestation, have been adopted since the beginning of colonisation when the first resident Governor, Sir Arthur Gordon, experimented with 'non-transformative' colonisation in this archipelagic colony (Veracini 2007). Indigenous Fijians were to be quarantined from modern commerce and particularly from the likely abuse from the resident European planters. Migrant labour, the majority from India, was brought in to save the indigenous Fijians from this predicament and grow the economy. Governor Gordon supplemented the meager resources he had at his disposal to govern the colony by drawing in the tribal chiefs as part of his administration.

The Governor also outlawed alienation of land, established a council of tribal chiefs as custodians of the resource, and allowed the leasing of this land by the immigrants but with the payments being channeled via the chiefs. The last entrenched the position of chiefs in Fijian society, domestic politics, and the economy by giving them the imprimatur of the colonial authority. This was the beginning of the creation of unequal groups within Fiji: the hierarchy comprised the Governor at the apex, followed by the chiefs, with the European planters somewhere in between, the rest of the indigenous population next, and Indian migrant workers last.<sup>8</sup>

Third, income and wealth redistribution on the basis of ethnicity has lent itself to capture by the élite and particularly so in the heightened climate of racial segregation following the first coup. Thus, while the 1997 Constitution highlighted the poverty-reduction rationale for redistribution, politics consolidated a system of redistribution that was poverty-increasing. Household-level data show that poverty is prevalent in all communities, and that indigenous Fijians are no worse off than Indo-Fijians in terms of the proportion of the population in poverty. Post-coup administrations in Fiji, however, have argued otherwise; claiming that indigenous Fijians face greater disadvantage than Indo-Fijians. Surprisingly, these claims have principally been based on the *Fiji Poverty Report* (UNDP 1997). These claims have been used to rationalise affirmative action programs entailing redistribution of taxpayer funded handouts to the indigenous population. This ethnicity-based redistribution has been anti-poor; an observation consistent with earlier findings of Cameron (1983) and Stavenuiter (1983). It has also been a drag on the growth of the economy, and a major source of corruption and abuse of public office. The discriminatory practices, moreover, have



induced emigration and capital flight, thus leaving those without 'wings', the immobile poor in the main, face the brunt of the costs of discrimination.

Last, the economy has largely stagnated since the first coup. Per capita income since 1987 has grown at less than 1.5 per cent per annum. Investment rates have plummeted following each coup while annual emigration of skilled personnel has doubled since the first. The poor usually have only their labour to sell and often at unskilled wage rates. Average daily real wages fell in the first two decades of independence while income inequality increased in this period: the two together imply that the poor must have lost ground in terms of per capita income.

The 2006 coup was rationalised as being undertaken to 'clean up' the government of corruption and to bring race-based politics to an end. The intentions are laudable but only time will tell if the effects will be consistent with the intentions.

## Notes

- <sup>1</sup> This claim is subject to all available data on this issue.
- <sup>2</sup> Fiji has had five-yearly national development plans dating from independence in 1970 to 1991, each of which emphasised broad-based growth and improved access to basic services to the disadvantaged and the poor. The government created a Poverty Taskforce in 1991 to recommend policies to reduce the burgeoning levels of poverty.
- <sup>3</sup> Income inequality in Fiji, as measured by the Gini coefficient (which ranges from 0 for perfect equality and 1 for perfect inequality), rose between 1977 and 1991 from 0.43 to 0.49 (UNDP 1994).
- <sup>4</sup> Note that 'Others' have the highest income, dragging the national average up. The figures for 2002/03 are from Narsey (2006).
- <sup>5</sup> See Lal (2004) on the origins of Fijian Indians and an account of the experiences of the indentured labourers in Fiji, and Gillion

(1962) for an account of the separatist policies of the colonial administration, thus giving legitimacy for racial segregation and ensuing political and social ramifications of immigration for Fiji since.

- <sup>6</sup> Frank Bainimarama has claimed that '[r]acist policies really have been the main cause of brain drain in the public sector since the 1987 coups [and] racism in the private sector also was the major cause of the brain drain there' (reported by *Fijilive*, 1 April 2007).
- <sup>7</sup> This was a military takeover without the abrogation of the constitution or a revolution, thus it may not amount to being a coup in the strict sense of this term.
- <sup>8</sup> Remnants of this hierarchy and the Gordon experiment remain in contemporary Fiji. I cannot help but ask if the indentured, often illiterate and uninformed, Indian labourer was recompense for the atrocities of European colonialism elsewhere.

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